

CHESTERTONS PROPERTY MARKET FORECAST: 2025

Property prices to see gradual growth in 2025

Chestertons forecasts that property prices will rise by 3.4% across the UK and 3% in London in 2025, supported by lower mortgage costs, modest but consistent growth for the UK economy and inflation staying around the Bank of England's 2% target.

UK property prices have risen around 3% in 2024 but have remained roughly flat in London, something that Chestertons attributes to three main factors:

- **More Properties on the Market:** Despite the recent cuts in interest rates, more people who took mortgages out when rates were significantly lower have made the decision to sell now that mortgage repayments are higher. Many mortgage holders would have seen their repayments double when their previous fixed-rate mortgages expired in 2024. This has caused an increase of properties on the market and kept price growth subdued.
- **Stamp Duty Changes:** The higher stamp duty rates for buyers of second homes and buy-to-let properties announced in October's Budget will reduce investor demand. However, this may create opportunities for more first-time buyers to enter the market.
- **Policy Changes:** A stronger pound and the removal of the non-dom tax regime could reduce demand from overseas buyers, which will have a disproportionate effect on the property market in Prime Central London.

Looking to 2025, whilst Chestertons believes rapid price increases are unlikely, improved affordability, pent-up demand and renewed confidence in the market should provide support for steady growth in property prices over the next two years.

| AVERAGE PROPERTY PRICE GROWTH FORECAST | | London | Prime Central London | UK |
|--|------|--------|----------------------|------|
| | 2025 | 3.0% | 3.5% | 3.4% |
| 2026 | 4.5% | 4.8% | 4.0% | |

Source: Chestertons

Outlook for London rents: Adjusting to new realities

London’s rental market is undergoing a period of adjustment and Chestertons forecasts that rents will increase by 1.5%, slightly under the rate of inflation.

After years of rising rents, growth slowed in 2024 due to an increase in the number of available rental properties and mounting financial pressure on tenants. With average rents now close to 40% of incomes, many tenants are struggling to absorb further cost increases, despite rising wages. This has resulted in fewer people entering the market and more renters negotiating lower prices.

Looking ahead to 2025, the lettings market will continue to be driven by a steady source of tenants as many people will rent for longer due to the high deposits and high mortgage repayments required to buy in London. However, rents will remain almost flat as slower wage increases restrict tenants’ ability to afford higher rents. With rents already consuming a large portion of household incomes, significant increases could risk pricing more tenants out of the market. Landlords will need to adapt, balancing rental expectations while responding to tenants who are increasingly selective and negotiating for better value.

Smaller, more affordable properties, particularly those well-serviced by public transport links or located centrally, are likely to remain highly sought after, potentially obtaining higher rent increases.

| AVERAGE RENTAL GROWTH FORECAST | | London | Prime Central London | UK |
|--------------------------------|------|--------|----------------------|------|
| | 2025 | 1.5% | 1.5% | 3.7% |
| 2026 | 1.5% | 1.5% | 3.5% | |

Source: Dataloft by PriceHubble, Chestertons



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